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# ASX Announcement

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## EVOLUTION ANNOUNCES INTENTION TO MAKE A CASH AND SCRIP BID FOR PHOENIX

Evolution Mining Limited (ASX:EVN) ("Evolution") is pleased to announce its intention to make an off-market takeover offer (the Offer) to acquire all of the ordinary shares of Phoenix Gold Limited (ASX:PXG) ("Phoenix") that it does not currently own. Evolution currently holds approximately 19.8% of the shares in Phoenix.

Accepting Phoenix shareholders will receive 0.06 Evolution Shares and A\$0.06 cash for each Phoenix Share<sup>1</sup>. The Offer is approximately equal to A\$0.12 per Phoenix Share<sup>2</sup> valuing the equity in Phoenix at approximately A\$56.4 million. This represents an attractive 20% premium to Zijin Mining Group Co., Ltd's ("Zijin") current offer of A\$0.10 per Phoenix Share.

The Offer will be subject to a limited number of conditions including Australian Foreign Investment Review Board ("FIRB") approval, completion of the La Mancha transaction and a number of other customary conditions including there being no regulatory action, no prescribed occurrences, no material adverse change, and the spot price for gold not falling below A\$1,250 per ounce. A full list of the proposed bid conditions is provided in Appendix 1 of this announcement. The Offer will not be subject to a minimum acceptance condition.

Further details about the Offer will be contained in Evolution's Bidder's Statement which will be sent to Phoenix shareholders in due course. Evolution currently expects its Bidder's Statement to be despatched to Phoenix shareholders by mid-September. The Bidder's Statement will set out important information for Phoenix shareholders including how to accept the Offer, the key reasons why Phoenix shareholders should accept the Offer and also information about Evolution.

### Transaction Rationale

As announced to the Australian Securities Exchange on 20 April 2015, Evolution has entered into a binding agreement with La Mancha Group International BV ("La Mancha") to acquire 100% of La Mancha's Australian operations – which include the Mungari processing plant, the adjacent high-grade Frog's Leg underground gold mine and the White Foil open-pit gold mine. This transaction received overwhelming shareholder support with 99.6% of Evolution Shareholders who voted at the Extraordinary General Meeting held on 30 July 2015 voting in favour of the transaction. The La Mancha transaction remains subject to FIRB approval.

The Phoenix tenement package adjoins La Mancha's Australian operations and covers a significant strike length of the highly prospective Zuleika Shear and the Kunanalling Shear (see Figure 1 on following page). Many of the exploration targets developed by Phoenix, on its tenements, are geologically similar to the Frog's Leg mine and the White Foil mine.

On 1 May 2015 Evolution announced that it had reached agreement with Phoenix regarding a strategic investment and partnership. Under the agreement Evolution subscribed for 44 million fully paid ordinary shares in Phoenix at an issue price of A\$0.075 per share. On 24 July 2015 Evolution bought an additional 49 million Phoenix shares at A\$0.12 per share taking its shareholding in Phoenix to approximately 19.8%.

<sup>1</sup> If the number of Phoenix Shares held by a Phoenix shareholder means that their aggregate entitlement to Evolution Shares is not a whole number, then any fractional entitlement will be rounded down to the nearest whole number.

<sup>2</sup> This is based on a 20-day VWAP of Evolution Shares as at 19 August 2015 of A\$1.025 per share.

The close proximity of the Phoenix tenements to the newly built 1.5Mtpa Mungari processing plant creates the opportunity for numerous synergies. Evolution believes that in the current environment in which access to capital for junior mining companies is difficult, Phoenix shareholders will benefit from being part of a larger, well-funded, leading Australian gold company that can accelerate unlocking the potential of the Phoenix tenements.

Commenting on Evolution’s intention to make an Offer for Phoenix, Executive Chairman Jake Klein said:

“There is clear commercial logic in combining the Phoenix assets with the Mungari Project which we are acquiring from La Mancha. Evolution is committed to building a long-term presence in this exciting region of Western Australia and our intention to make this compelling bid for Phoenix is the next step in our strategy.”

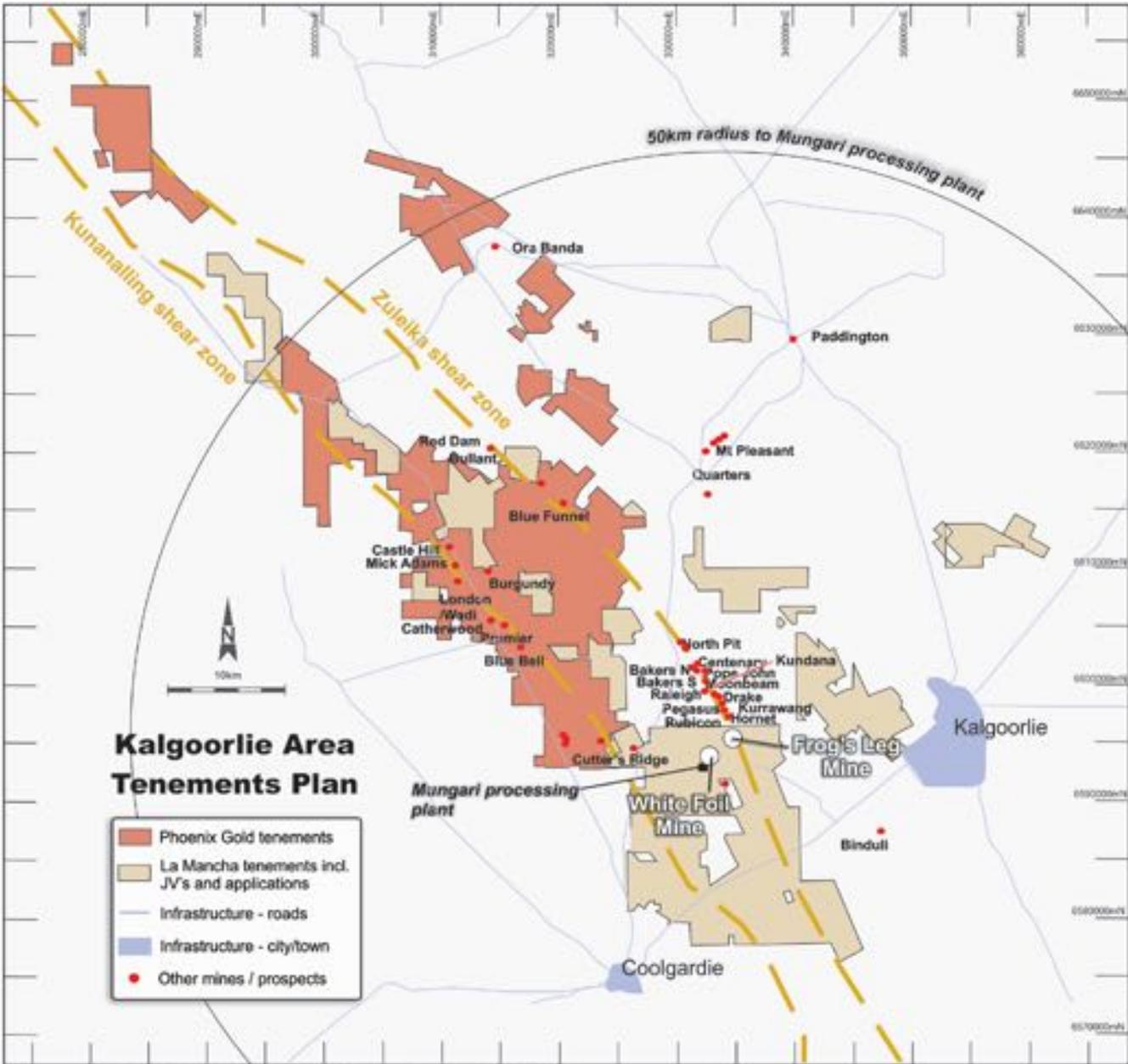


Figure 1. Location of La Mancha’s Australian operations and Phoenix tenements

## **Advisers**

Evolution is being advised by Herbert Smith Freehills.

## **For further information please contact:**

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## **About Evolution Mining**

Evolution Mining is a leading, growth-focussed Australian gold miner. Evolution operates six wholly-owned mines – Cowal in New South Wales, Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland and Edna May in Western Australia.

Group production for FY15 from Evolution's five existing operating assets (prior to the Cowal and La Mancha acquisitions) totalled 437,570 ounces gold equivalent at an All-In Sustaining Cost of A\$1,036/oz.

On 20 April 2015 Evolution announced that it had entered into a binding agreement with La Mancha Group International BV to acquire 100% of La Mancha's Australian operations – the high-grade Frog's Leg underground gold mine, the adjacent White Foil open-pit gold mine and the recently completed 1.5Mtpa Mungari CIL processing plant – all located near Kalgoorlie in Western Australia. The La Mancha Australia acquisition remains subject to FIRB approval. Combined current annual production from La Mancha Australia's operations is in the range of 130,000 –160,000 ounces of gold.

## Appendix 1 – Bid Conditions

The Offer and any contract arising from the acceptance of the Offer is subject to fulfilment or waiver of the following conditions before the end of the Offer Period.

### No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
- (b) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (c) no application is made to any Government Agency (other than by Evolution or any Associate of Evolution),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by the Bidder's Statement or which requires the divestiture by Evolution of any Phoenix Shares or any material assets of Evolution or any of its Subsidiaries.

### FIRB approval

Before the end of the Offer Period, one of the following occurring:

- (a) Evolution receiving written notice under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), by or on behalf of the Treasurer of the Commonwealth of Australia stating or to the effect that the Commonwealth Government does not object to the acquisition by Evolution of the Phoenix Shares under the Offer, either unconditionally or on terms that do not impose unduly onerous obligations on Evolution; or
- (b) the Treasurer of the Commonwealth of Australia becomes precluded from making an order under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in relation to the acquisition by Evolution of the Phoenix Shares under the Offer; or
- (c) if an interim order is made under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the acquisition by Evolution of the Phoenix Shares under the Offer, the subsequent period for making a final order prohibiting the acquisition by Evolution of the Phoenix Shares under the Offer elapses without a final order being made.

### La Mancha transaction

Before the end of the Offer Period, Evolution holds the legal and beneficial interest in all the shares in Toledo Holding (Ausco) Pty Limited.

### Evolution Share price

The volume weighted average price of an Evolution Share over 2 consecutive trading days on the ASX does not fall below A\$0.85 at any time between the Announcement Date and the start of the Offer Period (each inclusive).

### Gold price

The spot gold price for gold as quoted on Bloomberg does not fall below A\$1,250 per ounce at any time during a day for three consecutive days between the Announcement Date and the end of the Offer Period (each inclusive).

## Material adverse change

- (a) Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs (whether or not becoming public):
- (1) an Event (including a decision of a Government Agency or a change in law) occurs or will or is reasonably likely to occur;
  - (2) information is disclosed or announced by Phoenix concerning any Event; or
  - (3) information concerning any Event becomes known to Evolution (whether or not becoming public),
- (each of (1), (2) and (3) a **Specified Event**) which, whether individually or when aggregated with all such Events (including a decision of a Government Agency or a change in law) of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:
- (1) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Phoenix Group taken as a whole; or
  - (2) without limiting the generality of the previous clause:
    - (A) the effect of a diminution in the value of the consolidated net assets of the Phoenix Group, taken as a whole, by at least A\$5 million against what it would reasonably have been expected to have been but for such Specified Event; or
    - (B) the effect of impairing, terminating or otherwise adversely affecting or changing any Tenements or any Authorisation in connection with any Tenements.
- (b) A Specified Event shall not include an Event:
- (1) fully and fairly disclosed by Phoenix on the ASX within 6 months prior to the Announcement Date;
  - (2) relating to the state of securities markets in general; or
  - (3) resulting from any changes in the gold mining industry in general.
- (In this paragraph, **Event** means any event, change, condition, matter or thing.)

## Prescribed occurrences

Between the Announcement Date and the date that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following prescribed occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (a) Phoenix converting all or any of the Phoenix Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (b) Phoenix or any of its Subsidiaries resolving to reduce its share capital in any way;
- (c) Phoenix or any of its Subsidiaries entering into a buyback agreement or resolving to approve the terms of a buyback agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Phoenix or any of its Subsidiaries:
  - (1) issuing Phoenix Shares (other than Phoenix Shares issued as a result of the exercise of Phoenix Options);
  - (2) granting an option over Phoenix Shares; or
  - (3) agreeing to make such an issue or grant such an option;
- (e) Phoenix or any of its Subsidiaries issuing, or agreeing to issue, convertible notes;

- (f) Phoenix or any of its Subsidiaries disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (g) Phoenix or any of its Subsidiaries granting, or agreeing to grant, a Security Interest in the whole, or a substantial part, of its business or property;
- (h) Phoenix or any of its Subsidiaries resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator of Phoenix or any of its Subsidiaries;
- (j) the making of an order by a court for the winding up of Phoenix or any of its Subsidiaries;
- (k) an administrator of Phoenix or any of its Subsidiaries being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Phoenix or any of its Subsidiaries executing a deed of company arrangement; or
- (m) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Phoenix or any of its Subsidiaries.

#### **No untrue statements to the ASX**

Between the Announcement Date and the end of the Offer Period (each inclusive), there not having occurred or been announced or become known to Evolution or Phoenix that information announced by Phoenix to ASX prior to the Announcement Date is, or is likely to be, incomplete, incorrect, untrue or misleading in a material respect such that Evolution might reasonably be expected to have not proceeded with the Takeover Bid at all or would have proceeded with the Takeover Bid on materially different terms.

#### **Conduct of business**

Between the Announcement Date and the end of the Offer Period (each inclusive), otherwise than in the ordinary course of business, neither Phoenix nor any of its Subsidiaries:

- (a) announces, declares, or distributes any dividend, bonus or other share of its profits or assets;
- (b) makes any changes to its constitution or passes any special resolution or amends the terms of issue of any shares, options, performance rights or other convertible securities;
- (c) borrows or agrees to borrow any money, other than in the ordinary course of business;
- (d) provides a guarantee or indemnity or both to a Third Party for an amount that exceeds A\$500,000.
- (e) does any of the following:
  - (1) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or employee;
  - (2) makes or agrees to make any substantial change in the basis or amount of remuneration of any director, employee or consultant;
  - (3) except as provided under any superannuation, provident or retirement scheme or contract in effect on the Announcement Date, pays or agrees to pay any retirement benefit or allowance to any director or employee;
  - (4) make or agree to make any payments to any Third Party that is above A\$500,000, including to any employee, director or consultant to Phoenix that is contingent on the Offer or the outcome of the Offer (or a similar transaction); and
  - (5) amends or agrees to amend in any material respect any arrangement with its advisers, or enter into arrangements with any new advisers, in respect of the Offer or a similar transaction;

- (f) acquires, offers to acquire, agrees to acquire or acquires any one or more businesses, assets, entities or undertakings valued at, or involving a financial commitment of more than A\$500,000 (individually or when aggregated with all other such matters arising after the Announcement Date), or makes an announcement or enters into an agreement in relation to such an acquisition, undertaking or financial commitment;
- (g) incurs or commits to incur an amount of capital expenditure in excess of A\$500,000 other than:
  - (1) capital expenditure that has been announced by Phoenix before the Announcement Date as intended to be incurred or committed;
  - (2) capital expenditure in the day to day operating activities of the business of Phoenix and its Subsidiaries conducted in the same manner as before the Announcement Date.

### **Licence to Mine and Ore Sale Deed**

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Phoenix nor any of its Subsidiaries enters into any agreement with a Third Party for the development of stage 1 of the Castle Hill Project other than:

- (a) with Norton Gold Fields Limited; and
- (b) on the terms of the draft deed titled "Licence to Mine and Ore Sale Deed" provided to Evolution prior to the Announcement Date,

or agrees to do any of the above.

### **No litigation on foot or pending**

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Phoenix which may reasonably result in a judgement of A\$500,000 or more is commenced, is threatened to be commenced, is announced, or is made known to Evolution (whether or not becoming public) or Phoenix, other than that which is in the public domain as at the Announcement Date.

### **Tenements**

Between the Announcement Date and the end of the Offer Period (each inclusive), otherwise than in the ordinary course of business, neither Phoenix nor any of its Subsidiaries:

- (a) enters into, agrees to enter into or announces any agreement to enter into any contract, commitment or arrangement (including without limitation any ore sale, ore processing, joint venture, partnership, farm-in, royalty, marketing or off-take agreement) in relation to any of the Tenements other than the Licence to Mine and Ore Sale Deed provided it is entered into in the same form as provided to Evolution prior to the Announcement Date;
- (b) relinquishes, sells or disposes of any interest or creates any Security Interest over any of the Tenements;
- (c) takes any action or omits to take any action that results in or may reasonably be expected to result in a disposal of, or a breach of the terms of any of the Authorisations in connection with any Tenement;
- (d) takes any action or omits to take any action that results in or may reasonably be expected to result in the surrender of any of the Tenements or any Authorisation relating to any Tenements,

including announcing an intention to do any of the above matters.

## Definitions

<b>Announcement Date</b>	20 August 2015, being the date of this announcement.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to this document and Phoenix was the designated body.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Authorisation</b>	any approval, licence, consent, authority or permit.
<b>Bidder's Statement</b>	the bidder's statement to be prepared by Evolution in relation to the Takeover Bid in compliance with Part 6.5 of the Corporations Act.
<b>Business Day</b>	a day that is not a Saturday, Sunday or public holiday or bank holiday in Sydney or Perth.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Evolution</b>	Evolution Mining Limited (ABN 74 084 669 036).
<b>Evolution Share</b>	an ordinary share in the capital of Evolution.
<b>Government Agency</b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
<b>Licence to Mine and Ore Sale Deed</b>	the deed to be entered into between Norton Gold Fields Limited and Phoenix for the development of stage 1 of the Castle Hill Project.
<b>Offer</b>	the offer for Phoenix Shares under the terms and conditions contained in the Bidder's Statement.
<b>Offer Period</b>	the period that the Offer is open for acceptance.
<b>Phoenix</b>	Phoenix Gold Limited (ABN 55 140 269 316).
<b>Phoenix Group</b>	Phoenix and each of its Subsidiaries, and a reference to a ' <b>Phoenix Group Member</b> ' or a ' <b>member of the Phoenix Group</b> ' is to Phoenix or any of its Subsidiaries.

<b>Phoenix Option</b>	an option, issued by Phoenix, to acquire a Phoenix Share.
<b>Phoenix Share</b>	an ordinary share in the capital of Phoenix, including all shares on issue as at the end of the Offer Period.
<b>Related Body Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Related Person</b>	<ol style="list-style-type: none"> <li>1 in respect of a party or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate; and</li> <li>2 in respect of any financial adviser retained by a party in relation to the Takeover Bid, each director, officer, employee or contractor of that financial adviser.</li> </ol>
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Security Interest</b>	<p>an interest or power:</p> <ol style="list-style-type: none"> <li>1 reserved in or over an interest in any asset; or</li> <li>2 created or otherwise arising in or over any interest in any asset under a security agreement, a bill of sale, mortgage, charge, lien, pledge, trust or power,</li> </ol> <p>by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes, but is not limited to:</p> <ol style="list-style-type: none"> <li>3 any agreement to grant or create any of the above; and</li> <li>4 a security interest within the meaning of section 12(1) of the <i>Personal Property Securities Act 2009</i> (Cth).</li> </ol>
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
<b>Takeover Bid</b>	the off market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
<b>Tenements</b>	any and all tenements that Phoenix or its Subsidiaries have a direct or indirect interest in from time to time (including as holder, owner, operator or joint venturer), including any tenement that is a successor, renewal, modification, extension or substitute for the whole or part of any such tenement.
<b>Third Party</b>	a person other than Evolution and its Associates.